

# Part 4: Financial Statements



# Core Business Costs

## Introduction

This activity includes the operation of Council's facilities, executive services, corporate support services, asset management services and other support required to achieve the outcomes agreed by Council and the community, through the LTP. The LGA instructs Council to:

- Ensure prudent stewardship and efficient and effective use of its resources in the District [Section 14(1)(g)].
- Consider the capacity of Council to meet statutory responsibilities now and in future decisions [Section 77(1)(b)(iii)], including those around resourcing.

## What Council Wants to Achieve

The community wants Council to efficiently and effectively achieve the range of Community Outcomes outlined in Section 5 of this Annual Plan. The following outlines this strategic goal further:

SG1 - To efficiently and effectively resource the achievement of Council's Strategic Goals to target Community Outcomes.

Council seeks to resource its activities in a way that is efficient, which means getting the most value from the least amount of funding. Council recognises that it has limited resources and takes a considerable amount of effort in seeking solutions to minimise the cost of service delivery.

Council also seeks to resource its activities in an effective way that will enable the entire organisation to achieve its Strategic Goals. Decisions on efficiency and effectiveness are taken as part of a participative process initially involving management and Council analysis of cost drivers, and then involving the community through consultation on the Annual Plan. There are some issues that impact on resourcing levels that Council has a limited ability to influence. These include:

- Economic - The impact of inflation on costs nationally that impact on purchasing, including contract prices received for services such as solid waste and reserves maintenance.

- Political - The continued rolling out of the Government's legislative programme continues at a rate that stretches the entire local government sector, forcing compliance costs and procedures on councils for activities as diverse as dog control, gambling, land transport, water quality, raising more revenue for depreciation and resource management planning.
- Demographic - The population makeup of the District, including employment and population growth, affects communities' ability to fund services.
- Community Demand - Council responds to levels of service demands within available resourcing levels. Over time, levels of service will trend upward through rising community expectations. These demands need to be resourced.
- Technological - Council is committed to the prudent use of technology to achieve the efficiencies and effectiveness of service delivery. This also comes at a cost to retain currency and to remain a highly efficient customer-focussed organisation.
- Market Driven - The employment marketplace affects every organisation, including Council. Council sets remuneration at rates that reflect marketplace competitiveness. This is essential to retain staff and attract candidates at the appropriate level of experience sought.

## Cost of Support Statement

The Cost of Support Statement details the corporate support costs that are built into each of the 11 significant activities of Council. The corporate support cost budget (below) does not represent additional costs to those in previous sections.

**Support Costs** refer to telephone charges, vehicle costs and vacation workers.

**Support Services** refer to information systems maintenance and licence charges, insurances, advertising, stationery, document management, postage and subscriptions.

## Core Business Costs - Cost of Service Statement

	LTP 2008/09 \$000	Annual Plan 2008/09 \$000	Variation \$000
<b>Operating Costs</b>			
Staffing	3,902	4,391	489
Recruitment and Training	111	179	68
Support Cost	139	132	(7)
Support Services	789	837	48
Direct Cost	360	364	4
Equipment Depreciation	765	428	(337)
Interest	353	515	162
<b>Total Operating Costs</b>	<b>6,419</b>	<b>6,846</b>	<b>427</b>
Operating revenue	(6,419)	(6,846)	427
Internal Recoveries			
<b>Net Cost of Service</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Funding Requirements:</b>			
Capital Expenditure	451	245	(206)
Loan Repayments	184	288	104
<b>Total Funding Required</b>	<b>635</b>	<b>533</b>	<b>(102)</b>
<b>Funded By:</b>			
Depreciation Funds/Other Transfers	635	533	(102)
<b>Total Funding</b>	<b>635</b>	<b>533</b>	<b>(102)</b>

## Capital Expenditure Programme

	LTP 2008/09 \$000	Annual Plan 2008/09 \$000	Variation \$000
Buildings	-	53	53
Computer Software	224	115	(109)
Computer Hardware	142	12	(130)
Office Equipment	32	15	(17)
Vehicles	53	50	(3)
Loan Repayments	184	288	104
<b>Total</b>	<b>635</b>	<b>533</b>	<b>(102)</b>

## Variations from the LTP Cost of Support Statement

Core overheads were closely researched and were able to be kept below the previous year's level for the first time in many years. This was achieved by examining the need for sundries and removing wastage (for example keeping postage and paper costs down), looking closely at the number of staff, as well as putting in place new incentives for staff retention since a high turnover of staff is costly for an organisation. Other savings were made by careful analysis of computer software and hardware needs within the organisation.

# Funding Impact Statement

## Introduction

Council is required under Schedule 10(1) of the LGA to adopt a Funding Impact Statement. This Statement provides a summary of Council's funding sources over the ten year period, as well as the detailed rates requirement for the 2008/09 financial year. The Statement represents the fiscal outcome from the Revenue and Financing Policy. The Revenue and Financing Policy is located in Part 4 of the LTP - Summaries and Policies.

Rates are levied under the Local Government (Rating) Act 2002 (LGRA) on all rateable rating units on the basis of values supplied by Quotable Value New Zealand Limited. A revaluation was carried out in September 2005, effective from 1 July 2006. The following outlines Council's goals in the setting of rates.

Objectives	Targets and Measures
Provide the income by rates received to meet Council's LTP objectives, after user charges and other income is first applied.	Rating income is raised with user charges to meet, and not exceed, that required by Council's forecast work programme. Council complies with the Balanced Budget requirement of Section 100 of the LGA.
Ensure that all ratepayers pay their fair share towards the cost of Council services.	Development of a Revenue and Financing Policy adopted, with consultation, with each LTP.
Ensure that the incidence of rates is spread as fairly as possible over the different ratepayer groups.	Setting of rates is in accordance with Council's Revenue and Financing Policy and Funding Impact Statement.
Ensure consistency in the charging of rates.	The setting of rates is in accordance with the provisions of the LGRA and the LGA.

## Rates Remission and Postponement

### Remissions

Council has a Remissions Policy developed under Section 102(5)(a) of the LGA and Section 85 of the LGRA. This can be viewed in Part 4 of the LTP 2006-16, including the objectives of the remissions targeting each of social, cultural, environmental and economic wellbeings. Remissions categories include non-contiguous properties, sport and community organisations, new subdivisions, Maori land and Council administration properties. The value of these remissions is as follows (GST inclusive).

Category of Rate Remissions	Value of Remission (incl GST) - \$000
General Rate/UAGC	273
Targeted Rate	149
Service Charge - Water	141
Service Charge - Sewerage	55
Service Charge- Solid Waste	80
<b>Total</b>	<b>698</b>

### Postponements

Council does not offer postponements.

## 1.0 Statement of Funding Sources

The table below provides a summary of the funding sources for 2008/09. Council's Revenue and Financing Policy and work programmes form the basis for the funding forecast. The table is produced on a GST exclusive basis.

	LTP 2008/09 \$000	Annual Plan 2008/09 \$000	Variation
Net General Rate	977	922	(55)
Net UAGC	2,741	2,776	35
Rate Penalties	150	150	-
Ward Rates	1,171	1,211	40
District Rates	4,932	4,202	(730)
Water Supply	2,353	2,212	(141)
Solid Waste Management	1,033	1,137	104
Sewerage	1,798	1,804	6
Other Targeted Rates	1,338	1,179	(159)
<b>Total Rates Revenue</b>	<b>16,493</b>	<b>15,593</b>	<b>(900)</b>
Subsidies	8,478	10,399	1,921
Fees and Charges	2,723	2,696	(27)
Development Contributions	211	209	(2)
Dividends	10	10	-
Petrol Tax	173	173	-
Treasury	12	34	22
Interest	150	150	-
Revaluation/Investment Properties/Aftercare	-	82	82
<b>Total Operating Revenue</b>	<b>28,250</b>	<b>29,346</b>	<b>1,096</b>
Loans	795	919	124
Other Funding	4,575	6,079	(1,504)
<b>Total Funding</b>	<b>33,620</b>	<b>36,344</b>	<b>2,724</b>

## 2.0 General Rates

### 2.1 General Rate District (LV)

#### Description and Use

The General Rate District Land Value (LV) is assessed as a rate in the dollar based on land values across the District, as outlined in the Statement of Estimated Revenue (Section 1.0). The General Rate is not set differentially. The rationale for use is contained in the Revenue and Financing Policy (Part 4 of the LTP).

#### Requirement in 2008/09 (including GST)

General Rate District	Rate in \$	Total Revenue Requirement \$000
General Rate District (LV)	0.0538	1,040

### 3.0 Uniform Annual General Charge (UAGC)

#### **Description and Use**

Council sets a UAGC on all separately used or inhabited portions of rating units under Section 15(1)(b) of the LGRA, across the District, as outlined in the Statement of Estimated Revenue (Section 2.0). The rationale for use of the UAGC is contained in the Revenue and Financing Policy (Part 4 of the LTP).

#### **Basis of UAGC Set**

Liability for the UAGC is attracted to each separately used or inhabited portion of a rating unit. Uniform charges will be applied according to the following principles:

- a. Where a rating unit contains both a commercial operation and residential accommodation, two separately used parts of a rating unit are identified and will attract two sets of uniform charges.
- b. A farming unit with one dwelling will be treated as one rating unit, with each additional dwelling counting as an additional used part of the rating unit. Each additional dwelling will attract uniform charges.
- c. Where a single rating unit contains a number of shops or offices, each separately used or inhabited office or shop will be counted as one unit. Each office or shop will attract uniform charges.
- d. Where a single rating unit contains a number of separately used or inhabited residential parts (block of flats), each separate unit will be counted as one rating unit. Each unit or flat will attract uniform charges.
- e. A motel/hotel complex will not be treated on the basis of the number of rooms, but on the basis of a motel/hotel being a commercial operation. The motel/hotel complex will attract one set of uniform charges. However, should a residential occupancy be contained within the complex, that would constitute an additional use. Each residential occupancy in the motel/hotel complex will attract uniform charges.
- f. Dwellings that are not fully self-contained will not attract uniform charges. For a dwelling to be self-contained, it must be connected to water and sewerage services, have a means of cooking and have sleeping arrangements.
- g. Uninhabitable dwellings will not attract uniform charges. For a dwelling to be uninhabitable, it must have deteriorated to a condition not habitable by people and consume no water, power, sewerage or refuse collection.

#### **Requirement in 2008/09 (including GST)**

<b>Uniform Annual General Charge</b>	<b>Charge \$</b>	<b>Total Revenue Requirement \$000</b>
Uniform Annual General Charge (UAGC)	381	3,142

### 4.0 Targeted Rates

#### **Description and Use**

The Targeted Rate is a rate set on rateable assessments differentiated by some factor, such as geographic location, as outlined in the Statement of Estimated Revenue (Section 2.0). The titles of "Targeted Rate" and "TUAC" (Targeted Uniform Annual Charge) are used by this Council, where TUAC is a Targeted Rate based strictly on a uniform amount set per separately used or inhabited portion of a rating unit.

#### **4.1 Differentiations Used (Schedule 2 LGRA)**

The following outline methods of differentiating Targeted Rates based on categories of land as outlined in Schedule 2 of the LGRA. These represent the matters used to define categories of rateable land that the Targeted Rates set in 4.2 of this section apply to.

**(a) Targeted Rate Differentiated on Land Use and Area**

Council proposes to use land use (Schedule 2(1) LGRA) and land area (Schedule 2(4) LGRA) to differentiate in the following ways:

*Land Use and Area: Owhango Water Supply*

Owhango Dry Stock	Farms located within Owhango and with no dairy facilities
Owhango Dairy Farms	Farms located in Owhango with milking facilities:
➤ Large	➤ Large - over 85 ha
➤ Small	➤ Small - under 85 ha
Owhango Lifestyle Blocks	Farm units (not Dairy) less than 25 ha

*Land Use and Area: Mainstreet Targeted Rate Categories*

Northern Mainstreet	All commercial or industrially zoned or used rating units (according to Council's Rating Information Database) situated within the Taumarunui (including Manunui) and National Park townships.
Southern Mainstreet	All commercial or industrially zoned or used rating units (according to Council's Rating Information Database) situated within the Ohakune and Raetihi townships.

*Land Use: Sanitary Services Rate Categories*

Sanitary Services	Ruapehu District Council water supplies, sewerage schemes and stormwater systems provided for the purpose of community health and sustainability.
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*Land Use: Land Transport Rate Categories*

Hydro-electric Properties	All rating units used in relation to hydro-electric power generation with a CV in excess of \$50 million.
Other	All other rating units in the Ruapehu District.

*Land Use: Economic Development Commercial Rate Categories*

Commercial, Industrial and Forestry Properties	All rating units with QV property use codes C (Commercial), I (Industrial) and FE (Forestry Exotic).
Other	All other rating units in the Ruapehu District.

**(b) Targeted Rates Differentiated on Location**

Council proposes to use location (Schedule 2(6) LGRA) to assess every rating unit for the Rating Area Services Rate, Combined Rating Areas, Services Rate, Rating Area Services Rate (CV), Mainstreet Rate, National Park Community Board Rate, Economic Development, RTO Communities Rate and part Solid Waste Rate.

The following categories will apply:

*Rating Areas: Areas based on pre-October 2004 electoral areas*

Ohura Rating Area	All rating units situated within the pre-October 2004 Ohura Ward representation boundary, as indicated on RDC Plan 040504.
Taumarunui Rating Area	All rating units situated within the pre-October 2004 Taumarunui Ward boundary, as indicated on RDC Plan 040504.
National Park Rating Area	All rating units situated within the pre-October 2004 National Park Ward representation boundary, as indicated on RDC Plan 040504.
Waimarino Rating Area	All rating units situated within the pre-October 2004 Waimarino Ward boundaries as indicated on RDC Plan 040504.
Waiouru Rating Area	All rating units situated within the pre-October 2004 Waiouru Ward boundaries as indicated on RDC Plan 040504.

Wards: Areas based on October 2004 electoral areas

National Park Ward Area	All rating units situated within the post-October 2004 National Park Ward representation boundary, as indicated on SO Plan 335332.
Waimarino-Waiouru Ward and "Southern Services Area"	All rating units situated within the post-October 2004 Waimarino-Waiouru Ward representation boundary, as indicated on SO Plan 335333.
Northern Services Area	All rating units situated within the post-October 2004 Ohura, Taumarunui and National Park Wards representation boundary, as indicated on SO Plans 36055, 36056 and 335332.

Communities deemed to benefit from Economic Development function: The Economic Development Function is described in Part 3 of this document

Taumarunui, Ohakune, Raetihi, Owango, National Park, Whakapapa/Iwikau, Rangataua, Waiouru, Ohura, Pipiriki.	Any property within these communities that can be connected to a water supply (including those on water by meter) or sewerage network, excluding extraordinary users that are not connected to a sewer network and all rateable properties inside the Tongariro National Park.
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Communities deemed to benefit from RTO function: The RTO function is described in Part 3 of this document

Taumarunui, Ohakune, Raetihi, Owango, National Park, Whakapapa/Iwikau, Rangataua, Waiouru, Ohura, Pipiriki.	Any property within these communities that can be connected to a water supply (including those on water by meter) or sewerage network, excluding extraordinary users that are not connected to a sewer network and all rateable properties inside the Tongariro National Park.
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### (c) Targeted Rate Differentiated on Service Provision

Council proposes to use provision or availability to the land of a service (Schedule 2(5) LGRA) to assess service charges for Water Supply, Sewerage and Solid Waste.

Water	Capable of connection - The rating unit is within 100m of water main and practicably serviceable in the opinion of Council.
Sewerage	Capable of connection - The rating unit is within 100m of water main and practicably serviceable in the opinion of Council.
Solid Waste Collection	Capable of collection - The rating unit is in townships, from which Council is prepared to collect as identified in the Solid Waste Management Plan (SWaMP), and is one that Council is able and prepared to collect from.

## 4.2 Targeted Rate Values

### (a) District Rate (CV)

#### Description and Use

The District Rate Capital Value is assessed as a rate in the dollar based on capital values across the District, as outlined in the Statement of Estimated Revenue (Section 1.0) for Emergency Management and Economic Development. The rate is not set differentially. Rationale for use of the rate is contained in the Revenue and Financing Policy (Part 4 of the LTP 2006-16).

**Requirement in 2008/09 (including GST)**

District Rate (CV)	Rate in \$	Total Revenue Requirement \$000
District Rate (CV)	0.0110	351

**(b) District Land Transport Rate (CV)****Description and Use**

The District Land Transport Rate Capital Value (CV) is assessed as a rate in the dollar based on capital value across the District, as outlined in the Statement of Estimated Revenue (Section 1.0). With the exception of hydro-electric properties worth in excess of \$50 million, the District Land Transport rate is set differentially. The rationale for use of the rate is contained in the Revenue and Financing Policy (Part 4 of the LTP 2006-16).

**Requirement in 2008/09 (including GST)**

District Land Transport Rate CV	Rate in \$	Total Revenue Requirement \$000
Other - Differential: Base Rate	0.1386	4,130
Hydro-electric properties - Differential: 75% of base rate	0.1040	202

**(c) Area Services (TUAC)****Description and Use**

Council proposes to set Targeted Uniform Rates (TUAC) for each rating area based on an annual charge per separately used or inhabited portion of a rating unit (Schedule 3(7) LGRA). This charge part-funds Council swimming pools, stormwater, Taumarunui Ward Committee and Agency Services, according to the Revenue and Financing Policy (Part 4 of the LTP 2006-16).

**Requirement in 2008/09 (including GST)**

Area Services (TUAC)	Charge \$	Total Revenue Requirement \$000
Ohura Rating Area	12	11
Taumarunui Rating Area	96	314
National Park Rating Area	68	64
Waimarino Rating Area	148	443
Waiouru Rating Area	23	3

**(d) Community Boards (TUAC)****Description and Use**

Council proposes to set Targeted Uniform Rates (TUAC) for each Ward area, based on an annual charge per separately used or inhabited portion of a rating unit (Schedule 3(7) LGRA). This charge is set for Community Boards (CB) according to the Revenue and Financing Policy (Part 4 of the LTP 2006-16).

**Requirement in 2008/09 (including GST)**

<b>Community Board (TUAC)</b>	<b>Charge \$</b>	<b>Total Revenue Requirement \$000</b>
Taumarunui	<i>Funded under Taumarunui Area Services (TUAC)</i>	
National Park Ward	57	60
Waimarino-Waiouru Ward	23	72

**(e) Northern/Southern Area Services (TUAC)****Description and Use**

Council proposes to set Targeted Uniform Rates (TUAC) to part-fund the activities of Mainstreet, Parks and Reserves and Halls, based on an annual charge per separately used or inhabited portion of a rating unit (Schedule 3(7) LGRA). Categories are based on location and the availability of Council services.

**Requirement in 2008/09 (including GST)**

<b>Northern/Southern Area Services (TUAC)</b>	<b>Charge \$</b>	<b>Total Revenue Requirement \$000</b>
Northern Area Services	78	402
Southern Area Services	127	400

**(f) Area Services (CV)****Description and Use**

Council proposes to set Targeted Rates on every rating unit, by Rating Area, to fund the activity of Accelerated and Enhanced Development and part-fund the Stormwater activity. The rate will be set based on capital value (Schedule 3(2) LGRA).

**Requirement in 2008/09 (including GST)**

<b>Area Services (CV)</b>	<b>Rate in \$</b>	<b>Total Revenue Requirement \$000</b>
Ohura Rating Area	0.0014	11
Taumarunui Rating Area	0.0229	154
National Park Rating Area	0.0152	66
Waimarino Rating Area	0.0147	162
Waiouru Rating Area	0.0018	3

**(g) Mainstreet Northern/Southern (LV)****Description and Use**

Council proposes to set Targeted Rate on all commercial or industrial zoned or used rating units (according to Council's Rating Information Database) to part-fund urban upgrades in the District's centres. The rate will be set on land value (Schedule 3(3) LGRA).

**Requirement in 2008/09 (including GST)**

<b>Mainstreet Northern/Southern (LV)</b>	<b>Rate in \$</b>	<b>Total Revenue Requirement \$000</b>
Northern Mainstreet	0.2831	36
Southern Mainstreet	0.3721	67

Note: Mainstreet is a “grand-parented” funding mechanism. Council resolved that Mainstreet-type projects in future were better funded by the Ward Services Capital Value method that attributes costs to specific Wards that derive the majority of benefit. However, Council retains the Mainstreet funding method to continue funding of existing projects only.

**(h) Solid Waste Disposal (TUAC)**

**Description and Use**

Council proposes to set Targeted Uniform Rates (TUAC) on every separately used or inhabited portion of a rating unit (Schedule 3(7) LGRA), to fund Solid Waste Management, **excluding** Kerbside Refuse Collection [refer to 4.3(b)]. Solid Waste Management therefore contributes to activities including recycling and transfer stations, the District landfill and education initiatives.

**Requirement in 2008/09 (including GST)**

<b>Solid Waste Disposal (TUAC)</b>	<b>Charge \$</b>	<b>Total Revenue Requirement \$000</b>
Ohura Rating Area	149	135
Taumarunui Rating Area	45	149
National Park Rating Area	255	239
Waimarino Rating Area	108	321
Waiouru Rating Area	51	8

**(i) Sanitary Services (UAC)**

**Description and Use**

Council proposes to set a Uniform Annual Charge (UAC) equivalent to a UAGC on all Council community water and sewerage schemes and stormwater systems (Schedule 3(7) LGRA). Council has taken this approach because;

1. In the past, Council has raised rates funding from ratepayers to pay rates to itself under the Revenue and Financing Policy method.
1. The rates on Council sanitary services fund functions such as roading and economic development (under Council’s Revenue and Financing Policy), meaning that Council rates its own water supplies and uses the money to fund other Council services.
1. Continuing to pay a UAGC charge equivalent targeted rate is in recognition of administrative costs attracted to the management of these activities.

**Requirement in 2008/09 (including GST)**

<b>Sanitary Services (UAC)</b>	<b>Charge \$</b>	<b>Total Revenue Requirement \$000</b>
Council Water Supplies	378	3
Council Sewerage Schemes	378	3
Council Stormwater Networks	378	3

**(j) Economic Development Community Targeted Rate**

**Description and Use**

Council proposes to use a Targeted Rate in the dollar based on properties’ capital value to part-fund the Economic Development function (Schedule 3(2) LGRA).

**Requirement in 2008/09 (including GST)**

<b>Economic Development Community</b>	<b>Rate in \$</b>	<b>Total Revenue Requirement \$000</b>
Economic Development Community Rate	0.0073	60

**(k) Regional Tourism Organisation (RTO) Community Targeted Rate****Description and Use**

Council proposes to use a Targeted Rate in the dollar based on properties' capital value to part-fund the RTO function (Schedule 3(2) LGRA).

**Requirement in 2008/09 (including GST)**

<b>Regional Tourism Organisation (RTO) Community Targeted Rate</b>	<b>Rate in \$</b>	<b>Total Revenue Requirement \$000</b>
RTO Community Rate	0.0134	110

**(l) Commercial Targeted Rate for Economic Development Function****Description and Use**

Council proposes to use a Targeted Rate differentiated by property use codes C, I and FE to part-fund the Economic Development activity.

**Requirement in 2008/09 (including GST)**

<b>Economic Development Commercial Targeted Rate</b>	<b>Rate in \$</b>	<b>Total Revenue Requirement \$000</b>
QV Property Use Codes - C, I, FE	0.0102	30

**(m) Commercial Targeted Rate for RTO Function****Description and Use**

Council proposes to use a Targeted Rate differentiated by property use codes C and I to part-fund the RTO function.

**Requirement in 2008/09 (including GST)**

<b>RTO Commercial Targeted Rate</b>	<b>Rate in \$</b>	<b>Total Revenue Requirement \$000</b>
QV Property Use Codes - C, and I	0.1143	220-

**4.3 Service Charges**

Council charges Targeted Uniform Charges (UAC) that apply to Water Supply, Sewerage and Solid Waste collection. Council also describes the funding of these services as being "service charges" as they have a more direct link between usage and availability of the service and charging, compared to all other types of rate.

**(a) Water Supply****Description and Use**

Council proposes to set Targeted Rates for Water Supply according to the differential factors outlined in 4.1 above and on the basis of the following limits and conditions around the supply of water [Schedule 3(8)].

The annual charge is levied on every separately used or inhabited portion of a rating unit that is connected or capable of being connected to a Council water supply network.

### User Categories

Ordinary	Ordinary users connected or able to be connected to the relevant water reticulation systems.
Extraordinary	Extraordinary users who are connected or able to be connected to the related water reticulation schemes and are not metered. Users are deemed extraordinary by land use, by Council's Water Bylaw or by agreement with Council, and charged accordingly.
Metered	Sub-set of extraordinary users. Extraordinary users who are metered will be charged the relevant minimum annual charge in conjunction with their usage charges for water consumed. Only one minimum charge will be applied per rateable unit.

### Requirement in 2008/09 (including GST)

Water Supply (UAC)	Charge \$	Total Revenue Requirement \$000
<b>Ordinary Users</b>		
Ohura Supply	786	147
Taumarunui Supply	553	1,363
Piriaka Supply	473	25
Owhango Town Supply	479	68
National Park Supply	577	170
Raetihi Supply	411	235
Ohakune Supply	380	546
Waiouru Supply	254	19
<b>Extraordinary Users</b>		
Owhango Supply Lifestyle blocks <25 ha	602	10
National Park Supply	982	15
Raetihi Supply	456	3
<b>Metered Users</b>		
Taumarunui Supply	\$0.86 per m <sup>3</sup> . Minimum charge \$153.50 per quarter	130
Owhango Supply: 0 - 832m <sup>3</sup>	\$1.31 per m <sup>3</sup> . Minimum charge \$133.00 per quarter	58
Owhango Supply: > 832m <sup>3</sup>	\$0.64 per m <sup>3</sup> . Minimum charge \$133.00 per quarter	
Ohakune Supply: 0 - 500m <sup>3</sup>	\$1.52 per m <sup>3</sup> . Minimum charge \$105.50 per quarter	80
Ohakune Supply: 500 - 1,500m <sup>3</sup>	\$1.13 per m <sup>3</sup> . Minimum charge \$105.50 per quarter	
Ohakune Supply: >1,500m <sup>3</sup>	\$0.80 per m <sup>3</sup> . Minimum charge \$105.50 per quarter	
Carrot Washers	\$0.45 per m <sup>3</sup> . Minimum charge \$105.50 per quarter	
Waiouru Supply	\$1.66 per m <sup>3</sup> . Minimum charge \$70.50 per quarter	38

### **Metered Water Payment Arrangements**

- a. Discount for Prompt Payment
- b. A discount of 10% shall be allowed for water charges paid by the discount date as stated on the Water By Meter Account (under Section 55 LGRA).
- c. Water Billing Cycle
- d. The charge made for water supplied by way of meter shall be levied separately from the other rates and charges made by Council.
- e. The due date for the charges shall be the last payment date printed on the account for water supplied.
- f. This account will be forwarded no later than the second week at the end of each quarter.

### **(b) Solid Waste Collection (UAC)**

#### **Description and Use**

The Solid Waste Collection Rate is levied on every separately used or inhabited portion of a rating unit to which Council provides the service, to fund the cost of kerbside collection services. Council operates kerbside collection in Taumarunui (extending to Piriaka and Kakahi), Ohakune and Raetihi and Rangataua townships.

#### **Requirement in 2008/09 (including GST)**

<b>Solid Waste Collection (UAC)</b>	<b>Charge \$</b>	<b>Total Revenue Requirement \$000</b>
Taumarunui	62	160
Waimarino	70	130

### **(c) Solid Waste Kerbside Recycling Collection (TUAC)**

#### **Description and Use**

Council proposes to set a Targeted Uniform Annual Charge targeted on the same basis as the Solid Waste Collection rate to fund Solid Waste Kerbside Recycling Collection. This charge is only levied on the Wards that receive kerbside recycling collection.

#### **Requirement in 2008/09 (including GST)**

<b>Solid Waste Kerbside Recycling Collection (TUAC)</b>	<b>Charge \$</b>	<b>Total Revenue Requirement \$000</b>
Taumarunui	29	75
Waimarino	33	61

### **(d) Sewerage (UAC)**

#### **Description and Use**

Council proposes to set a Targeted Rates to provide for the collection and disposal of sewerage, in the form of annual charges based on location and number of pans. The annual charge is levied on every separately used or inhabited portion of a rating unit that is connected or capable of being connected to a Council sewerage reticulation network.

## User Categories

Category 1	<ul style="list-style-type: none"> <li>➤ 1 - 2 pans (water closets or urinals).</li> <li>➤ Each separately rateable property used exclusively or principally as the residence of not more than one household (defined in terms of their residential valuation land use code), is deemed to have not more than one pan for charging purposes.</li> </ul>
Category 2	<ul style="list-style-type: none"> <li>➤ 3 plus pans (water closets or urinals).</li> <li>➤ Commercial land uses (as defined by land use category) with more than one pan.</li> </ul>
Category 3	<ul style="list-style-type: none"> <li>➤ Primary and Secondary Schools.</li> </ul>

**Rangataua Scheme** - Council proposes to set an annual charge per separately used or inhabited portion of a rating unit, based on the above categories, to fund a loan raised to fund capital costs of the Rangataua scheme. This charge will be levied on every rating unit in Rangataua that has not made a lump sum contribution to the scheme.

**National Park Scheme** - National Park Village is rated as a rate per \$ of land value for Category 1.

### Requirement in 2008/09 (including GST)

Sewerage (UAC)	Charge \$	Total Revenue Requirement \$000
<b>Category 1</b>		
Taumarunui	398	841
National Park	0.6436 rate in \$	155
Ohakune	241	314
Raetihi	422	211
Pipiriki	568	13
Rangataua	517	89
Rangataua (debt)	148	10
Waiouru	390	29
<b>Category 2</b>		
Taumarunui	247	170
National Park	168	27
Ohakune	168	80
Raetihi	251	20
Pipiriki	341	2
Waiouru	233	17
<b>Category 3</b>		
Taumarunui	109	18
National Park	83	0.5
Ohakune	82	4
Raetihi	124	5
Pipiriki	168	1

## 5.0 Rates Payments

Instalment No	Due Date
1st instalment	22 September 2008
2nd instalment	20 January 2009
3rd instalment	23 March 2009
4th instalment	22 June 2009

Water Supply metered charges are subject to a separate payment and discount regime. The discounts outlined below do not apply to Water Supply metered charges.

## **5.1 Discounts for Payment in Full**

A discount of 3% on all current year's rates will be granted for prompt payment if the rates are paid in full by 9 September 2008 for the year ending 30 June 2009, on condition that no rates remain unpaid from previous years.

## **5.2 Penalties**

- An additional charge of 3% will be added to rates levied in the 2008/09 financial year and which remain unpaid after the above due dates.
- Council delegates authority to the Team Leader Treasury Services to apply penalties on unpaid rates. Consideration for remission of penalties will be considered according to Council's "Remission of Penalties" Policy contained in Part 4 of the LTP 2006-16.

# Prospective Financial Statements

## Prospectus Information

To assist in the understanding of the prospective financial statements, this first part of this section explains the caveats related to these prospective statements. This is followed by an explanation of the key planning assumptions that have been used to develop the draft Annual Plan, the accounting policies and finally the prospective financial statements.

The following information is prepared in accordance with the provisions of FRS42.

## Approach

The approach taken to budget development has been that of preparing "forecasts" on a best estimate basis. In this case, a forecast refers to financial information based on assumptions as to future events Council expects to occur and on the basis of Council's expected response to these events. Council has not taken an approach where hypothetical ("what if") projections are used.

The amounts presented are budgeted. However, the opening balance of the 2007/08 year is based on the estimated actual result, with this estimation having been made in February 2008.

## Major Limitation

The major limitation of the forecasting approach, as with any approach, is that events may change over time and undermine the accuracy of assumptions made. The actual financial results achieved for the period are likely to vary from the information presented and the variations may be material.

## Basis of Assumptions, Risks and Uncertainties

A number of planning assumptions have been made in the development of the draft Annual Plan. These assumptions, along with the risks and uncertainties that surround these assumptions, are discussed in the Planning Assumptions in the LTP 2006-16.

## Review of Assumptions

Underlying assumptions for the financial information was undertaken in preparation of the LTP 2006-16, between September 2005 and March 2006. However, the assumptions themselves were adopted by Council resolution. Copies of Council's adopted LTP 2006-16 may be requested, free of charge, from any Council Office or viewed on Council's website [www.ruapehudc.govt.nz](http://www.ruapehudc.govt.nz).

Council is required, under the LGA, to issue an updated LTP every three years. The next update is planned for June 2009.

## Prior Published Prospective Financial Statements

The LTP, adopted on 30 June 2006, supersedes all previously published prospective financial statements.

Material differences from prior prospective financial statements are as follows:

- Inclusion of inflation adjustment from 2008/09 year onwards.
- Implementation of the Solid Waste Asset Management Plan 2006-09 (SWaMP) that describes how Council will provide the community with long term solutions to its solid waste issue.
- Increased investment in the District's land transport network.
- Direct investment in creating tools to attract, retain and grow new and existing businesses in the District.
- Review of the District Plan to ensure that growth in the District is balanced with the environmental sustainability of the District.
- Investment in the future sustainability and effectiveness of the District's infrastructure by implementing the Asset Management Plan Improvement Programme. This includes the development of asset information for the District's water supply and sewerage network and improvement of information on all Council assets.
- Sale of surplus properties and subsequent reduction in the operating cost in the Community Property activity.

# Statement of Accounting Policies

## Reporting Entity

Ruapehu District Council (Council) is a territorial local authority governed by the Local Government Act 2002 (LGA).

The Ruapehu District Council and Group consists of Council and its 100% owned subsidiary RDC Holdings Limited and associates, Ruapehu Wanganui Rangitikei Economic Development Trust (the Trust) (33% owned) and the Whanganui River Enhancement Trust (WRET). RDC Holdings Limited was incorporated on 10 May 1996 in New Zealand.

As Council's subsidiary is not trading, separate disclosure of parent and subsidiary is not necessary. These accounts are therefore for the Council and group.

The primary objective of Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, Council has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Financing Reporting Standards (NZ IFRS).

The Trust was incorporated under the Charitable Trusts Act 1957 on 4 May 2006. The Trust was established to operate the Major Regional Initiative ("MRI") and other partnerships with New Zealand Trade and Enterprise. It is a Council Controlled Organisation according to the LGA and Council has an equal share, together with Rangitikei District Council and Wanganui District Council.

## Basis for Preparation

The financial statements of Council have been prepared in accordance with the requirements of the LGA, Part 6, Section 95 and Part 2 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The forecast financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The forecast financial statements have been prepared on an estimated cost basis, taking into account the estimated CPI, as provided from various national economic data.

The forecast financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of Council is New Zealand dollars.

## Budget figures

The budget figures are those approved by Council at the beginning of the year in the Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Council for the preparation of the financial statements.

## Critical accounting estimates and assumptions

In preparing these forecast financial statements Council has made estimates and assumptions concerning the future. These estimate and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as discussed below.

## Standards and interpretation issued and not yet adopted

There are no standards, interpretations, and amendments that have been issued, but are not yet effective, that Council has not yet applied, other than NZ IFRS 7 Financial Instruments Disclosure. Council has applied NZ IAS 32, Financial Instruments Presentation.

## Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Council and the revenue can be reliably measured. Revenue is recognised at fair value. The following specific recognition criteria must also be met before revenue is recognised.

## Rates Revenue

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised on the due date for each instalment.

## **Other Revenue**

Subsidy revenue is recognised when expenditure has been incurred and the claim for subsidy processed.

Water billing revenue is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Traffic and parking infringements are recognised when tickets are issued.

Fees and charges are recognised as revenue when the obligation to pay arises or, in the case of licence fees, upon renewal of the licence. Expenditure is recognised when the service has been provided or the goods received.

Council receives government grants from petrol tax which subsidises part of its costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Rental income arising on property owned by Council is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

When a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in Council are recognised as revenue when control over the asset is obtained.

Where acting as an agent for another party derives revenue, the revenue that is recognised is the commission or fee on the transaction.

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

## **Development Contributions**

The revenue recognition point for development and financial contributions is at the later of the point when Council is ready to provide the service for which the contribution has levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation.

Development contributions are classified as part of "Other Revenue".

## **Vested Assets**

Vested asset income recognises the value of land and/or infrastructural works that have been handed over to Council following completion of the subdivision consent process. Vested assets are valued by applying standard unit rates to actual quantities of infrastructural components vested. The rates used are provided by the land developers and tested for reasonableness by Council engineering staff.

## **Expenditure**

Expenditure is recognised when Council is deemed to have been supplied with the service or has control of the good supplied.

## **Borrowing Costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

## **Grant Expenditure**

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

## **Leases**

### **Operating leases**

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term.

## **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

## Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Loans, including loans to community organisations made by Council at nil, or below market, interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cashflows of the loan is recognised in the statement of financial performance as a grant.

A provision for impairment of receivables is established when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

## Inventories

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost (determined on a weighted average basis) and current replacement cost.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average basis method.

The write down from cost to current replacement cost or net realisable value is recognised in the statement of financial performance.

## Financial assets

Council classifies its financial assets into the following three categories: financial assets at fair value through profit or loss, loans and receivables and financial assets at fair value through equity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss, in which case the transaction costs are recognised in the Statement of Financial Performance.

Purchases and sales of investments are recognised on trade date, the date on which Council commits to purchase or sell the asset.

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The three categories of financial assets are:

- Financial assets at fair value through profit or loss
  - This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.
  - After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the statement of financial performance.
  - Currently, Council does not hold any financial assets in this category.
- Loans and receivables
  - These are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market.
  - After initial recognition they are measured at amortisation cost using the effective interest method. Gains and losses when the asset is impaired or de-recognised are recognised in the Statement of Financial Performance. Loans and receivables are classified as "trade and other receivables" in the statement of financial position.
- Financial assets at fair value through equity
  - Financial assets at fair value through equity are those that are designated as fair value through equity or are not classified in any of the other categories above.
  - This category encompasses:
    - Investments that Council intends to hold long term but which may be realised before maturity.
    - Shareholdings that Council holds for strategic purposes. Council investments in its subsidiary and associate companies are not included in this category as they are held at cost (as allowed by NZ IAS 27 Consolidated and Separate Financial Statements and NZ IAS 28 Investments in Associates) whereas this

category is to be measured at fair value.

- After initial recognition these investments are measured at their fair value.
- Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the statement of financial performance. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in statement of financial performance even though the asset has not been de-recognised.
- On de-recognition the cumulative gains or loss previously recognised in equity is recognised in the statement of financial performance.

### Impairment of financial assets

At each balance sheet date Council assesses whether there is any objective evidence that a financial asset or group of financial asset is impaired. Any impairment losses are recognised in the Statement of Financial Performance.

### Property, plant and equipment

Fixed assets are disclosed as follows:

#### Land

All land owned by Council, excluding land under roads, was valued at market value as at 1 July 2006 by Quotable Value Limited. Land under roads was valued based on fair value by determining the total land area and multiplying this by an average District land value determined by the recent Government valuation as at 1 July 2004. Council has elected to use the fair value of land under roads as at transition date, as deemed cost. Land under roads are no longer revalued.

#### Buildings

All buildings owned by Council were valued at depreciated replacement cost as at 1 July 2006 by Quotable Value Limited. This is considered to be the fair value of the properties.

#### Infrastructural

Infrastructural Assets are the fixed utility systems providing an ongoing service to the community, but not generally regarded as tradeable (eg, roads, street lights, bridges, water and sewer reticulation systems, stormwater systems and refuse sites).

Land and buildings related specifically to an infrastructural asset are valued at depreciated replacement cost as at 30 June 2007. The valuation has been performed by Quotable Value Limited. This is considered to be the fair value of the properties. The assets have been revalued at 30 June 2007 by DTZ New Zealand Limited.

The assets are recorded at their depreciated replacement cost as at 30 June 2007 plus subsequent additions at cost.

### Restricted Assets

Restricted assets are parks and reserves owned by Council that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Restricted Land and Buildings were valued at fair value as at 1 July 2006 by Quotable Value Limited.

### Plant and Equipment

All motor vehicles, plant and machinery, office furniture, equipment and management information systems owned by Council are valued at cost less accumulated depreciation.

### Depreciation

Fixed assets are depreciated on a straight-line basis at rates that reflect their estimated useful lives. The depreciation rates of the various classes of assets are as follows:

Fixed Assets	Rate	Depreciation Method
Land	Nil	Not Depreciated
Buildings	1 - 2%	Straight Line
Computer Equipment	40%	Diminishing Value
Office Equipment, Furniture and Fittings	20%	Diminishing Value
Library Books	8%	Straight Line
Motor Vehicles and Other Equipment	10 - 30%	Straight Line

Council depreciates all infrastructural fixed assets, excluding stopbanks and land under roads.

Infrastructural fixed asset depreciation rates are based on the remaining useful life for each individual asset component, which equates to a range of rates as per Council's infrastructural asset register.

The base lives in years are:

Roads	
Top Surface (seal)	20 years
Pavements Basecourse	100 years
Formation	NA (not depreciated)
Culverts	60-100 years

Footpaths	80-100 years
Kerbs	80-100 years
Signs	10-15 years
Streetlights	10-15 years
Bridges	70-100 years

### Water Reticulation

Pipes	40-80 years
Valves, Hydrants	25-50 years
Pump Stations	10-60 years
Tanks	25-100 years

### Sewerage Reticulation

Pipes	50-80 years <sup>1</sup>
Manholes	50 years
Treatment Plant	10-100 years

### Stormwater Systems

Pipes	50-60 years <sup>1</sup>
Manholes, Cesspits	50 years

Stopbanks NA (Not depreciated)

(1) Life depends on material type of pipe

## Impairment

The carrying values of operational buildings, plant and equipment and infrastructural assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Council's assets do not generate direct cash inflows and cannot be grouped into cash generating units. Thus, Council does not group its assets into cash generating units to assess impairment. Instead, Council annually tests for internal and external factors which may indicate that the carrying value of its assets exceeds depreciated replacement cost, which could indicate impairment has occurred.

If any such indication exists and, where the carrying values are found to exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount or depreciated replacement cost.

Impairment losses are recognised in the income statement in the writedowns and disposals line item unless they offset a prior asset revaluation reserve for that asset.

## Revaluations

Following initial recognition at cost, operational land and buildings and infrastructural assets are carried at a revalued amount, which is the fair value at the date of the revaluation, less any subsequent accumulated depreciation on buildings and infrastructural assets and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable

willing seller in an arm's length transaction as at the valuation date. Where no market exists for assets, for example for infrastructural assets, the fair value is the depreciated replacement cost.

Any revaluation surplus is credited to the appropriate asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement. Revaluation changes are recorded on a class of assets basis.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus in the same asset class in the asset revaluation reserve.

In addition, any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is de-recognised.

## Intangible Assets

### Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by Council are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Financial Performance.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer Software	3 years	33.3%
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## **Investment property**

Properties leased to third parties under operating leases are classified as investment property, unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment properties are initially measured at cost, unless acquired at less than fair value when they are recognised at fair value.

After initial recognition, Council measures all investment property at fair values as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the statement of financial performance.

## **Impairment of non financial assets**

Non financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of financial performance.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of financial performance.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in statement of financial performance, a reversal of the impairment loss is also recognised in the Statement of Financial Performance.

## **Employee benefits**

### **Short term benefits**

Employee benefits that Council expects to be settled within 12 months of balance date are measured at nominal values based

on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken, at balance date, retiring and long service entitlements expected to be settled within 12 months, and sick leave.

Council recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that Council anticipates it will be used by staff to cover those future absences.

### **Long term benefits**

#### **Long service leave**

Entitlements that are payable beyond 12 months, such as long service leave, have been calculated on an actuarial basis. The calculation is based on likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information.

### **Provisions**

Provisions are recognised when Council has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

### **Borrowings**

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

### **Equity**

Equity is the community's interest in Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Ratepayers equity
- Special funds
- Asset revaluation reserves

### **Restricted and Council created reserves**

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Restricted reserves are those subject to specific conditions accepted as binding by Council and which may not be revised by Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves as reserves restricted by Council decision. Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Council objectives, policies and processes for managing capital are described below.

### **Capital management**

Council's capital is its equity (or ratepayers funds), which comprises retained earnings and reserves. Equity is represented by net assets.

The LGA requires Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items to achieve inter-generational equity, which is principle promoted in the Act and applied by Council. Inter-generational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

Council has the following Council created reserves:

- Reserves for different areas of benefit.
- Self-insurance reserves.
- Trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds generally can only be approved by Council.

Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose they were donated.

### **Goods and Services Tax (GST)**

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid is to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cashflow in the statement of cashflows.

Commitments and contingencies are disclosed exclusive of GST.

### **Landfill aftercare provision**

Council, as owner of one operating landfill, has a legal obligation under the resource consent to provide ongoing maintenance and monitoring services at the landfill sites. A provision for post-closure costs has been recognised as a liability.

The provision is based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post closure.

The discount rate used reflects current market assessments of the time value of money and the risks specific to Council.

### **Infrastructural assets**

There are a number of assumptions and estimates used when performing depreciated replacement cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. The risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets.
- Estimating any obsolescence or surplus capacity of an asset.
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over- or under-estimating the annual depreciation charge recognised as an expense in the Statement of Financial Performance. To minimise the risk, Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Deprecation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of Council's management planning activities, which gives Council further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

## ***Classification of property***

Council owns a number of properties, which are maintained primarily to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding these properties. They are held for service delivery objectives as part of the Council's social housing policy. These properties are accounted for as property, plant and equipment.

They include the following properties, which are difficult to classify:

- Airport.
- Ohakune Railway Station.
- Pukehou Quarry.

## ***Critical judgement in applying Council's accounting policies***

Management has exercised the following critical judgements in applying Council's accounting policies for the Annual Plan for the period ended 30 June 2009.

## Prospective Income Statement

### For the Year Ended 30 June 2009

	LTP 2008/09 \$000	EAP 2008/09 \$000	Variation \$000
<b>Revenue</b>			
Rates Revenue	16,493	15,593	(900)
Other Revenue	11,848	13,761	1,913
<b>Total Revenue</b>	<b>28,341</b>	<b>29,354</b>	<b>1,013</b>
<b>Expenditure</b>			
Leadership	2,354	2,048	(306)
Regulation Services	1,200	1,305	105
Resource Management	304	505	201
Land Transport	9,393	10,639	1,246
Sewerage	1,753	1,836	83
Water Supply	2,553	2,504	(49)
Stormwater	586	697	111
Solid Waste	1,745	1,878	133
Recreation and Community Facilities	1,844	1,955	111
Community Development	1,541	1,263	(278)
Community Property	406	454	48
Investment in Aftercare Provision	9	9	-
<b>Sub-Total – Activity Cost</b>	<b>23,688</b>	<b>25,093</b>	<b>1,405</b>
Depreciation	5,405	5,741	336
Finance Costs	2,441	2,544	103

## Prospective Statement of Changes in Equity

### As at 30 June 2009

	LTP 2008/09 \$000	EAP 2008/09 \$000	Variation \$000
<b>Balance at 1 July 2008</b>	<b>(272,209)</b>	<b>(304,836)</b>	<b>(32,627)</b>
<b>Property, Plant &amp; Equipment</b>			
<b>Financial Assets at Fair Value through Equity</b>			
(Surplus)/Deficit for the year	(4,653)	(4,261)	392
Adjustment to Landfill Aftercare Provision	36	39	3
<b>Total Recognised (Revenue)/Expense for the Year</b>	<b>(4,617)</b>	<b>(4,222)</b>	<b>(395)</b>
<b>Equity at End of Year</b>	<b>(276,826)</b>	<b>(309,058)</b>	<b>(32,232)</b>

# Prospective Cash Flow Statement

## For the Year Ended 30 June 2009

	LTP 2008/09 \$000	EAP 2008/09 \$000	Variation \$000
<b>Cashflows from/to Operating Activities</b>			
Rates	16,847	15,960	(887)
Subsidies and Grants	11,362	13,304	1,942
Interest Received	-	-	-
Dividends	-	-	-
Other Income	-	-	-
Movement in Trust Funds	-	-	-
Suppliers of Goods and Services	(12,539)	(13,687)	(1,148)
Employee's and Elected Member's Remuneration	(3,243)	(3,360)	(117)
Interest on Loans	(2,429)	(2,306)	123
Goods and Services Tax (Net)	-	-	-
<b>Net Cash from Operating Activities</b>	<b>9,998</b>	<b>9,911</b>	<b>(87)</b>
<b>Cashflows from Investing Activities</b>			
Proceeds from Sale of Property, Plant & Equipment	-	-	-
Movements in Sinking Funds	-	-	-
Purchase of Intangible Assets	-	-	-
Purchase of Property, Plant & Equipment	-	-	-
Purchase of Infrastructural Assets	686	541	(145)
Increase in Capital Work in Progress	10,107	11,344	1,237
<b>Net Cash from Investing Activities</b>	<b>10,793</b>	<b>11,885</b>	<b>1,092</b>
<b>Cashflows from Financing Activities</b>			
Proceeds from Borrowings	3,795	3,919	124
Repayment of Borrowings	(3,000)	(3,000)	-
<b>Net Cash from Financing Activities</b>	<b>795</b>	<b>919</b>	<b>124</b>
<b>Net (Decrease)/Increase in Cash, Cash Equivalents and Bank Overdrafts</b>	-	(1,055)	(1,055)
Cash, Cash Equivalents and Bank Overdrafts at beginning of the year	1,244	2,299	1,055
<b>Cash, Cash Equivalents and Bank Overdrafts at end of the year</b>	<b>1,244</b>	<b>1,244</b>	-

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

# Prospective Statement of Financial Position

## As at 30 June 2009

	LTP 2008/09 \$000	EAP 2008/09 \$000	Variation \$000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	1,244	1,244	-
Trade and Other Receivables	1,735	3,919	2,184
Inventories	64	64	-
<b>Total Current Assets</b>	<b>3,043</b>	<b>5,227</b>	<b>2,184</b>
<b>Non Current Assets</b>			
Property, Plant and Equipment	15,991	23,799	7,808
Intangible Assets	-	-	-
Infrastructural Assets	285,437	309,859	24,422
Items under construction	-	-	-
Financial Assets at Fair Value through Equity	521	592	71
Investment Property	3,424	4,992	1,568
<b>Total Non Current Assets</b>	<b>305,373</b>	<b>339,242</b>	<b>33,869</b>
<b>Total Assets</b>	<b>308,416</b>	<b>344,469</b>	<b>36,053</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	(1,496)	(5,168)	(3,672)
Employee Benefits	(750)	(251)	499
Borrowings	(3,000)	(4,500)	(1,500)
Income in Advance	(297)	(457)	(160)
Other Financial Liabilities	(352)	(569)	(217)
<b>Total Current Liabilities</b>	<b>(5,895)</b>	<b>(10,945)</b>	<b>(5,050)</b>
<b>Non Current Liabilities</b>			
Landfill aftercare provision	(763)	(841)	78
Employee Benefits	-	-	-
Borrowings - Term	(24,932)	(23,625)	(1,307)
<b>Total Non Current Liabilities</b>	<b>(25,695)</b>	<b>(24,466)</b>	<b>(1,229)</b>
<b>Total Liabilities</b>	<b>(31,590)</b>	<b>(35,411)</b>	<b>(3,821)</b>
<b>Net Assets</b>	<b>276,826</b>	<b>309,058</b>	<b>32,232</b>
<b>Equity</b>			
Ratepayers Equity	(199,757)	(254,904)	(55,147)
Special Funds	(488)	(518)	(30)
Other Reserves	(76,581)	(53,636)	22,945
<b>Total Equity</b>	<b>(276,826)</b>	<b>(309,058)</b>	<b>32,232</b>

# Forecast Statement of Public Debt

## As at 30 June 2009

Activity Budgets	LTP 2008/09 \$000	EAP 2008/09 \$000	Variation \$000
<b>Loan Summary: External Loan Balance</b>			
Opening Loan Balance	27,137	27,206	69
Net Loans Required	795	919	124
<b>Total Loan Balance</b>	<b>27,932</b>	<b>28,125</b>	<b>193</b>

## Other Disclosures

	LTP 2008/09 \$000	EAP 2008/09 \$000
TBC Reserve Contributions	27	29
TBC Subdivision Contributions	68	72
OBC Reserve Contributions	3	4
Waimarino Reserves	6	7
Ohakune Parking Contributions	50	5
OBC Roothing Contributions	46	48
<b>Special Funds</b>		
ECNZ Stratford and Huntly Amenities	154	163
ECNZ Wanganui River Amenities	16	17
Mayoral Relief Fund	70	74
<b>Total</b>	<b>440</b>	<b>467</b>
<b>Trust Funds</b>		
TBC Silver Band	41	43
WDC Ngaruahoe Lodge	7	8
<b>Total</b>	<b>48</b>	<b>51</b>

